

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7265

BILL NUMBER: HB 1119

DATE PREPARED: Jan 6, 2002

BILL AMENDED:

SUBJECT: Seed Contracts.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a contract for the delivery of seed in Indiana or seed intended to be grown in Indiana is considered to contain certain provisions relating to:

- (1) the law under which the contract is interpreted;
- (2) rights of the parties to the contract to inspect crops grown from the seed and other plants on the farmer's property;
- (3) certain property rights relating to the seed; and
- (4) litigation under the contract or property rights in the seed.

The bill provides a farmer a cause of action against a seed supplier that takes certain actions relating to a seed contract that violates the statute. It provides that the statute does not apply to a seed contract entered into before January 1, 2003, or to a seed production contract.

Effective Date: Upon passage.

Explanation of State Expenditures: *Indiana State Seed Commissioner (OISC):* This bill would require a seed supplier to notify the OISC of its intent to enter a farmer's real property no later than five business days before the intended date. The impact of this provision on the Seed Commissioner's office is expected to be administrative and will depend on the office's actions.

The bill could also increase OISC's costs if the Commissioner or an agent of the Commissioner accompanies a seed supplier on the real property of a farmer to take samples of a crop. However, the bill provides that costs incurred by the office to accompany a seed supplier on a farmer's field are to be paid equally from a seed supplier and the affected farmer (see *Explanation of State Revenues*, below).

Office of the Commissioner of Agriculture: This bill would require the Commissioner of Agriculture's office

to retain notices received of the filing of certain suits against farmers by seed suppliers. The bill also allows the office to promulgate rules regarding the entry of seed suppliers onto a farmer's real property to sample seed. Any impact of these provisions on the Commissioner's office is expected to be covered with existing staff and resources.

Explanation of State Revenues: *Indiana State Seed Commissioner (OISC):* The bill provides that if the Commissioner or an agent of the Commissioner accompanies a seed supplier onto the real property of a farmer, the seed supplier and the farmer must each pay 50% of the costs incurred by the Commissioner or the Commissioner's agents.

Background Information on OISC Funding: The OISC is primarily funded through the regulatory fees charged to test and certify seeds. It does not receive a direct appropriation from the state.

Revenue from Court Fees and Penalties: The bill requires a seed supplier to provide notice to both an affected farmer and the Commissioner of Agriculture of certain suits against a farmer. Failure to give notice of the suit to the Commissioner is a Class B infraction. If additional court cases occur, revenue to the state General Fund may increase if infraction judgments and court fees are collected. The maximum judgment for a Class B infraction is \$1,000 which is deposited in the state General Fund. If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed. 70% of the court fee would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

This bill could also have a minimal impact on the number of civil cases filed in Indiana courts in so far as it would not allow a seed contract to contain a provision stating the jurisdiction and venue of any named courts to adjudicate disputes arising under a seed contract. (A number of seed contracts currently require parties to agree to the exclusive jurisdiction of courts in other states.) The filing fee for civil actions is \$100. Of this fee: (1) 70%, or \$70, is deposited in the State General Fund if the case is filed in a trial court. (2) If a case is filed in a city or town court (providing that the court has jurisdiction), the State General Fund receives 55% of the \$100 filing fee.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional cases are heard and a judgment is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the court fee that is assessed in a court of record. The fee is \$100 for civil cases and \$70 for criminal infraction cases. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee could also be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee could also be assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Office of the Indiana State Seed Commission; Office of the Commissioner of Agriculture.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Larry W. Nees, Seed Administrator, Office of the Indiana State Seed Commission,

765-494-1557; Indiana Sheriffs Association; Department of Correction.